

Legislative Audit Division

State of Montana



Report to the Legislature

February 1998

Financial-Compliance Audit For the Two Fiscal Years Ended June 30, 1997

Department of Commerce

This report contains five recommendations for improving the department's operations and compliance with state law. These recommendations relate to:

- ▶ Professional and occupational licensing fees.
- ▶ Employee Ownership Opportunity Act.
- ▶ Consumer loan audits and timeliness of reporting bank examination results.
- ▶ Compliance with professional and occupational licensing requirements.
- ▶ Recording exotic wagering activity.

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

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Room 135, State Capitol
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Helena MT 59620-1705

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Legislative Audit Division

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1997

Department of Commerce

Members of the audit staff involved in this audit were Chris Darragh, Geri Hoffman, Jim Manning, Vickie Rauser, and Susan McEachern.



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LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel
Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

February 1998

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Department of Commerce's financial activity for fiscal years 1995-96 and 1996-97. The report contains five recommendations where the department could improve operations and compliance with state laws.

The department's written response to the audit recommendations is included in the back of the audit report. We thank the director and the department staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat".

Scott A. Seacat
Legislative Auditor

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Appointed and Administrative Officials

Department of Commerce

Peter Blouke, Ph.D., Director

Andy Poole, Deputy Director, Management Services Division,
Economic Development Division

Annie Bartos, Chief Legal Counsel

Don Hutchinson, Administrator, Division of Banking and Financial
Institutions

Newell Anderson, Administrator, Local Government Assistance
Division

Carroll South, Executive Director, Investment Division

Jerry Hoover, Executive Director, Montana Health Facility
Authority

Maureen Rude, Administrator, Housing Division

Gerald LaChere, Director, Montana State Lottery

Jim Brown, Administrator, Building Codes Division

Steve Meloy, Administrator, Professional and Occupational
Licensing Division

Matthew Cohn, Director, Montana Promotion Division

Sam Murfitt, Executive Secretary, Board of Horse Racing

Jack Kane, Bureau Chief, Weights and Measure Bureau

Department of Commerce

This financial-compliance audit report contains the results of our audit for the two fiscal years ended June 30, 1997. We issued an unqualified opinion on the financial schedules contained in this report. This means the reader can rely on the presented financial information and supporting information on the Statewide Budgeting and Accounting System.

The report contains five recommendations where the department could improve compliance with state law and policy. Recommendation one relates to establishing fees commensurate with costs at the Professional and Occupational Licensing Boards. The second recommendation discloses noncompliance with the Employee Ownership Opportunity Act. The third recommendation discusses the issuance of bank examination reports and consumer loan audits. The fourth recommendation addresses compliance with board meeting requirements and providing education and research as required by law. The last recommendation relates to the accounting for horse racing exotic wagering.

Report Summary

The listing below serves as a means of summarizing the recommendations contained in the report, the department's response thereto, and a reference to the supporting comments.

<u>Recommendation #1</u>	We recommend the department work with the Professional and Occupational Licensing boards to ensure:	
	A. Fees are commensurate with costs.	
	<u>Department Response:</u> Concur. See page B-4.	
	B. Cash balances do not exceed limits set forth in state law.	
	<u>Department Response:</u> Concur. See page B-4.	
	C. Adequate documentation is kept to support the fees as required by state law.	9
	<u>Department Response:</u> Concur. See page B-4.	
<u>Recommendation #2</u>	We recommend the department comply with its responsibilities under the Employee Ownership Opportunity Act.	10
	<u>Department Response:</u> Concur. See page B-4.	
<u>Recommendation #3</u>	We recommend the department comply with state bank examination and consumer loan office audit requirements as required by state law.	11
	<u>Department Response:</u> Concur. See page B-5.	
<u>Recommendation #4</u>	We recommend the department comply with state laws related to meetings of the Board of Sanitarians and Board of Pharmacy educational programs.	12
	<u>Department Response:</u> Concur. See page B-5.	
<u>Recommendation #5</u>	We recommend the department properly record horse racing exotic wagering activity in the Agency Fund.	13
	<u>Department Response:</u> Concur. See page B-5.	

Introduction

We performed a financial-compliance audit of the Department of Commerce (department) for the two fiscal years ended June 30, 1997. The accompanying financial schedules include activity related to the Board of Housing (#97-07, #96-07), the Board of Investments (#97-03, #96-03), Montana Health Facility Authority (#96-29), and the Montana State Lottery (#97C-01, #96C-06), which are audited separately. These reports are available on request.

The objectives of this audit were to:

1. Determine whether the department complied with selected laws and regulations.
2. Make recommendations for improvement of management controls.
3. Determine whether the department's financial schedules for the two fiscal years ended June 30, 1997, present fairly the results of operations.
4. Determine the status of prior audit recommendations.

This audit report contains five recommendations intended to improve the department's operations and compliance with state laws and regulations. In accordance with section 5-13-307, MCA, we have disclosed the cost, if significant, of implementing these recommendations.

In accordance with section 17-8-101, MCA, we reviewed the Internal Service Fund fees, charges for services and fund equity balance. Based upon our review, nothing came to our attention to indicate the department is not in compliance with the law requiring Internal Service Fund fees to be commensurate with costs.

Introduction

Background

The Department of Commerce is responsible for encouraging and promoting commerce-related activities in Montana through a wide spectrum of programs. These programs relate to: 1) economic development and promotion; 2) assistance to local governments and individuals; and 3) business regulatory services. The department consists of six divisions, and several entities attached to the department for administrative purposes. The Board of Housing, the Montana Health Facility Authority, the Montana Science and Technology Alliance, the Board of Investments, the Montana State Lottery, and the Professional and Occupational Licensing boards are administratively attached to the department. Following is a description of the various divisions and offices comprising the department during the two fiscal years ended June 30, 1997.

Director's Office - administers the department and its divisions. The director's office provides the department with executive, administrative, legal, and policy guidance.

Management Services Division - provides internal support to all agency programs. Services provided include budgeting, accounting, purchasing, contracting, personnel administration, payroll, and training. The division also provides analysis, development, maintenance, and supervision of department data processing systems and hardware.

Economic Development Division - provides assistance and information to communities in Montana which allow them to achieve the community development objectives they have defined and provides assistance and information to businesses to help the business achieve or maintain profitability and growth, thereby increasing the opportunities for employment and higher wages for Montanans. Services provided by the division to communities and businesses include business technical assistance, regional development, business finance, trade, business location, and census and economic information.

Montana Health Facility Authority - helps eligible health care institutions access the tax-exempt bond market. The program issues tax-exempt bonds to finance health care facility projects at interest rates significantly below those which would be available at taxable bond rates.

Board of Investments - has the sole authority to invest state funds in accordance with the Montana Constitution and statutory

requirements. The board manages six investment portfolios: 1) the fixed income portfolio; 2) the equity portfolio; 3) the short-term investment pool; 4) the convertible securities pool; 5) the retirement funds bond pool; and, 6) the residential loan and commercial loan portfolio. The board also administers several programs which issue bonds for the purpose of assisting local governments, cities, and school districts, or to provide funds to improve the state's economy.

Local Government Assistance Division - operates direct service and financial assistance programs. The Community Development Bureau provides assistance to local governments, private developers, and citizens in the areas of: public works, planning and financing, land use and development regulation, capital improvement planning, local government issues and research and development. The bureau includes the following programs: Coal Board, Treasure State Endowment Program (TSEP), Hard Rock Mining Board, Community Development Block Grant (CDBG), and Community Technical Assistance.

The Local Government Services Bureau consists of two programs, the Accounting Systems Program and the Audit Review Program.

The Accounting Systems Program provides technical assistance and training to local government accounting and financial personnel in the areas of local government finance, accounting, budgeting and financial reporting, and serves as a liaison between local governments and various departments of state government and the legislature.

The Audit Review Program is responsible for defining, reviewing, and enforcing audit requirements for Montana local governments.

Montana Science and Technology Alliance - manages two investment funds for the purpose of strengthening entrepreneurial business development in Montana by encouraging the use of innovative technology for the benefit of the state's economy.

Banking and Financial Institutions Division - consists of the financial institution program responsible for chartering, licensing and supervising the safety and soundness of state chartered banks, savings and loan associations, credit unions, sales finance companies and escrow companies. The State Banking Board advises the director on matters relating to banking.

Introduction

Board of Horse Racing - is responsible for licensing, auditing, supervising, investigating, and regulating the horse racing industry. The program ensures compliance with state laws and board rules.

Montana State Lottery - sets policy and oversees activities and procedures of the lottery. The program director coordinates the lottery's marketing, operations, security, and administration.

Building Codes Division - works to protect the health and safety of the public and workers in the state by ensuring the design and construction of buildings and recreational vehicles meets minimum building, plumbing, mechanical, electrical and elevator standards.

Professional and Occupational Licensing Division - safeguards the public health, safety and welfare of the citizens of the state, and ensures professional conduct and quality service by licensing and monitoring professional and occupational service providers.

Weights and Measures Bureau - ensures the integrity of all weighing and measuring devices in the state, and is responsible for quality control of prepackaged goods and motor fuel sales.

Montana Promotion Division - is responsible for generating revenues for Montana by promoting a positive image of the state through advertising, publicity, international and domestic group travel, as well as, printing and distribution of publications and marketing to production companies.

Housing Division - is responsible for the federal Section 8 Housing Program which provides decent housing to eligible low-income families and individuals. The HOME Investment Partnership Program grants funds to strengthen public/private partnerships to provide more affordable housing. The Board of Housing helps provide decent, safe, sanitary, and affordable housing to lower income individuals and families. Moneys are made available through issuance of revenue bonds.

Prior Audit Recommendations

Prior Audit Recommendations

We performed the audit of the department for the two fiscal years ended June 30, 1995. The prior audit report contained three recommendations still applicable to the department. Of those recommendations, the department implemented one, and did not implement two.

The two recommendations not implemented relate to fees commensurate with costs at the Professional and Occupational Licensing boards and compliance with the Employee Ownership Opportunity Act. These recommendations are discussed in this report on page 7 and page 9, respectively.

Findings and Recommendations

Professional and Occupational Licensing Fees Commensurate with Costs

Section 37-1-134, MCA, requires Professional and Occupational Licensing (POL) boards to set fees reasonably related to the respective program area costs. Each board is required to maintain records sufficient to support the fees charged by each program. Since fiscal year 1989-90, we have reported on the POL boards' increasing fund balances and that some fees are not commensurate with costs as required by state law.

During the current audit, we reviewed the department's accounting records to determine the status of the POL boards' fund balances. Table 1 discloses each board's revenues, expenditures, fund balances and the ratio of fund balance to expenditures for fiscal year 1996-97. As shown in table 1, 23 boards have revenue in excess of expenditures. This means fees collected are in excess of the program costs. Fifteen boards have fund balances in excess of two years worth of expenditures. Effective July 1, 1998, section 17-2-302, MCA, allows the POL boards to have a cash balance in the fund not to exceed twice the annual appropriation for that year or greater than the biennial appropriation for the board. Therefore, the first 15 boards in table 1 will have to reduce their fund balances by July 1, 1998 to be in compliance with this new state law.

Findings and Recommendations

Table 1
Schedule of Professional Licensing Boards' Financial Activity

	FY 1996-97 <u>Revenue</u>	FY 1996-97 <u>Expenditures</u>	FY 1996-97 <u>Fund Balance</u>	Ratio of Fund Balance to <u>Expenditures</u>
<u>LICENSING BOARD</u>				
Occupational Therapists	\$ 11,500	\$ 6,304	\$ 75,493	11.98
Speech Pathologist	11,171	8,450	34,517	4.08
Professional Engineers	77,431	82,888	328,884	3.97
Radiologic Technologist	36,115	40,814	125,665	3.08
Chiropractors	19,150	21,210	64,398	3.04
Respiratory Care	5,330	10,379	27,291	2.63
Sanitarians	2,405	6,696	17,476	2.61
Clinical Lab Science Practitioners	3,800	16,212	41,119	2.54
Social Workers	54,230	73,288	184,029	2.51
Plumbers	120,728	79,660	189,780	2.38
Alternative Health Care	15,597	11,477	26,750	2.33
Optometrists	25,785	18,721	42,430	2.27
Hearing Aid Dispenser	10,968	11,237	25,183	2.24
Real Estate Appraisers	86,060	65,056	138,517	2.13
Landscape Architects	15,881	10,853	22,821	2.10
Funeral Service	29,345	26,970	54,043	2.00
Physical Therapist	35,900	32,430	61,706	1.90
Passenger Tramway Safety	24,945	27,530	51,646	1.88
Architects	47,827	37,711	60,537	1.61
Electrical	161,491	99,694	157,279	1.58
Pharmacists	208,510	161,623	245,948	1.52
Veterinarians	36,225	26,484	36,921	1.39
Dentists	149,500	111,117	153,422	1.38
Barbers	33,525	27,654	37,444	1.35
Realty Regulation	299,363	283,563	348,158	1.23
Public Accountants	354,393	300,044	342,931	1.14
Psychologists	37,590	26,672	30,473	1.14
Nursing Home Administrators	18,370	18,802	20,005	1.06
Medical Examiners	502,480	521,885	445,357	0.85
Nursing	637,413	550,794	441,107	0.80
Outfitters	374,503	293,521	215,099	0.73
Cosmetologists	200,927	209,759	104,980	0.50
Athletics	11,665	9,961	2,453	0.25
Private Security Patrolmen and Investigators	39,354	65,605	8,452	0.13
Private Employment Agencies	0	196	0	0.00
Fire Protection & Permitting	45,376	14,383	(77)	-0.01
Boiler, Blaster, Crane Licensing	111,999	106,789	(10,379)	-0.10

Source: Compiled by the Legislative Audit Division from the Statewide Budgeting and Accounting System.

The boards have established many types of fees including: application, examination, renewal, reciprocity, late renewal, and continuing education fees. We asked seven boards for the documentation supporting the fees charged by the board. Several boards were able to provide the costs to support some of the fees charged, but only two of the boards could provide the costs to support all the fees charged. Without records to support the fees charged it is not possible to determine if all fees are commensurate with costs as required by state law. Department personnel said they were not sure how some fees are calculated since the fee had not changed in many years. They knew the main components included in most fees, such as personal services, communications costs, and indirect costs, but they did not have the documented costs.

Recommendation #1

We recommend the department work with the Professional and Occupational Licensing boards to ensure:

- A. Fees are commensurate with costs.**
- B. Cash balances do not exceed limits set forth in state law.**
- C. Adequate documentation is kept to support the fees as required by state law.**

Employee Ownership Opportunity Act

The state's Employee Ownership Opportunity Act of 1989 outlines the state's policy of encouraging the formation of employee-owned enterprises. The act requires the department to:

- ▶ Develop a library of resources on the subject of employee ownership and participatory management.
- ▶ Research the role of successful employee ownership programs of other states and provide public education on the beneficial aspects of employee-owned enterprises.
- ▶ Conduct seminars, workshops, and conferences to increase awareness of the benefits of employee-owned enterprises. At least one seminar must be held for public officials dealing with

Findings and Recommendations

economic development, business assistance, and business financing programs.

- ▶ Provide technical assistance and counseling on the establishment and management of employee-owned enterprises.

Currently, the department only provides technical assistance and counseling when requested. The department has not addressed the other requirements of the act. Department personnel said the employee ownership information is difficult to keep current and is not in high demand. Also, they are uncomfortable providing technical counseling which is usually provided by lawyers and accountants. Department personnel drafted legislation to amend the act during the 1997 Legislature to limit the requirements to providing technical assistance and counseling when requested. However, legislation was never introduced. The department is still not in compliance with the act.

We believe the department should estimate the cost of implementing the act and determine whether demand for assistance will be sufficient to warrant incurring the costs. If the department determines limited demand does not warrant the costs of implementing the act, then the department should seek legislation to amend or repeal the law. Otherwise, the department should comply with its responsibilities under the Employee Ownership Opportunity Act.

Recommendation #2

We recommend the department comply with its responsibilities under the Employee Ownership Opportunity Act.

Bank Examination Reports and Consumer Loan Audits

The department is required by law to complete examinations of banks, credit unions, and various other entities. The following are examples of noncompliance with two state laws related to examination requirements.

1. Section 32-1-211, MCA, requires the department to perform examinations of all banks and trust companies doing business in this state, at least every 24 months, and submit in writing to the

Findings and Recommendations

examined bank a report of the examination's findings no later than 60 days after the completion of the examination. We noted 14 out of 39 and 14 out of 27 of the reports were sent out 90 days or more after completion of the examination in fiscal years 1995-96 and 1996-97, respectively. Department personnel stated lack of available staff time as the reason the reports are late.

2. The department does not perform annual examinations of 151 consumer loan offices in Montana. Section 32-5-403(1), MCA, states the department shall audit all consumer loan offices annually. Section 32-5-403(2), MCA, states that the expenses of the department incurred in the examinations of the consumer loan office shall be charged to the respective loan office at a rate to be established by rule. Since the department was not performing the examinations, no rate was established. Department personnel stated they are not performing examinations of consumer loan offices due to lack of staff, and therefore, have not established fees. Department personnel estimate the cost to perform the annual examinations would be approximately \$120,000.

Recommendation #3

We recommend the department comply with state bank examination and consumer loan office audit requirements as required by state law.

Compliance with Board Laws

We reviewed state laws and regulations affecting selected Professional and Occupational Licensing (POL) boards and found areas where the department could improve compliance with state laws and regulations. The following paragraphs discuss these areas.

- Section 37-40-201, MCA, requires the Board of Sanitarians to meet four times annually. In our review of the board minutes, we found the board was not meeting four times per year. During 1996, there was only one board meeting, and in 1995, there were three meetings. Department personnel stated there was not enough business for the board to meet four times a year, and that the board is meeting often enough to meet its obligations.
- Sections 50-32-105 & 106, MCA, require the Board of Pharmacy to carry out educational programs within the industry designed to prevent and deter the misuse and abuse of dangerous drugs, and to encourage research on the misuse and abuse of dangerous

Findings and Recommendations

drugs. Department personnel stated that they do not have any educational or research programs. Personnel stated if someone requests information regarding dangerous drugs, the board will provide the requested information,

The department should review the need for the Board of Sanitarians to meet four times annually to complete their required duties and work with the Board of Pharmacy to determine if an educational or research program is needed. If these requirements are not necessary, the department should seek legislation to amend the laws.

Recommendation #4

We recommend the department comply with state laws related to meetings of the Board of Sanitarians and Board of Pharmacy educational programs.

Improving Accounting for Exotic Wagering

The Board of Horse Racing collects money from exotic wagering on horse racing events. In accordance with state law, this money is recorded in the Agency Fund, which is used to account for assets owned by other departments, individuals, or private organizations in a trustee capacity. However, the department improperly uses the “accounts payable” account to record the transactions on the state’s accounting records. State law and accounting policy requires this activity be recorded in the “property held in trust” account in the Agency Fund. The department’s current method of recording exotic wagering results in the following understatements in the Agency Fund.

Property Held in <u>Trust Understatements</u>	Fiscal Year <u>1995-96</u>	Fiscal Year <u>1996-97</u>
Beginning Balance	\$171,788	\$159,802
Total Additions	249,637	329,429
Total Deletions	261,623	328,651
Ending Balance	159,802	160,580

This activity has been reclassified on the financial schedules on page A-5 and page A-7.

Findings and Recommendations

Using the “property held in trust” account would enhance compliance with state accounting policy and properly reflect this activity on the state’s accounting records.

Recommendation #5

We recommend the department properly record horse racing exotic wagering activity in the Agency Fund.

Independent Auditor's Report & Agency Financial Schedules

LEGISLATIVE AUDIT DIVISION

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Tori Hunthausen, IT & Operations Manager



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial schedules of the Department of Commerce for each of the two fiscal years ended June 30, 1996 and 1997, as shown on pages A-5 through A-20. The information contained in these financial schedules is the responsibility of the department's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the department's assets, liabilities and cash flows.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Department of Commerce for each of the two fiscal years ended June 30, 1996 and 1997, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

A handwritten signature in black ink that reads "James Gillett".

James Gillett, CPA
Deputy Legislative Auditor

December 31, 1997

DEPARTMENT OF COMMERCE
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	General Fund	Special Revenue Fund	Enterprise Fund	Internal Service Fund	Agency Fund	Nonexpendable Trust Fund
FUND BALANCE: July 1, 1996	\$ 1,567,744	\$ 14,562,860	\$ 88,579,436	\$ 493,388	\$ 0	\$ 104,287,221
PROPERTY HELD IN TRUST: July 1, 1996					\$ 299,879,260	
ADDITIONS						
Budgeted Revenues & Transfers-In	6,588,292	37,652,428	29,052,024	3,858,780		
Nonbudgeted Revenues & Transfers-In	58,840	1,261,724	43,108,495			
Prior Year Revenues & Transfers-In Adjustments	55,827	(12,673)	(42,812)			
Cash Transfers In (Out)	(4,928,352)	10,497,078		(36,029)		8,724,141
Direct Entries to Fund Balance			(15,995)	7,635		
Additions to Property Held in Trust					611,673,482	
Total Additions	1,774,607	49,398,557	72,101,712	3,830,386	611,673,482	8,724,141
REDUCTIONS						
Budgeted Expenditures & Transfers-Out	1,682,493	48,063,844	26,125,130	4,043,894		1,836,590
Nonbudgeted Expenditures & Transfers-Out		58,137	40,978,824	35,606		
Prior Year Expenditures & Transfers-Out Adjustments	(821)	(190,087)	(76,289)	(57,563)		
Reductions to Property Held in Trust					590,293,147	
Total Reductions	1,681,672	47,931,894	67,027,665	4,021,937	590,293,147	1,836,590
FUND BALANCE: June 30, 1997	\$ 1,660,679	\$ 16,029,523	\$ 93,653,483	\$ 301,837	\$ 0	\$ 111,174,772
PROPERTY HELD IN TRUST: June 30, 1997					\$ 321,259,595	

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-17.

DEPARTMENT OF COMMERCE
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	General Fund	Special Revenue Fund	Enterprise Fund	Internal Service Fund	Agency Fund	Nonexpendable Trust Fund
FUND BALANCE: July 1, 1995	\$ 4,591,777	\$ 23,021,738	\$ 80,331,045	\$ 710,974	\$ 0	\$ 84,828,402
PROPERTY HELD IN TRUST: July 1, 1995					\$ 204,791,460	
ADDITIONS						
Budgeted Revenues & Transfers-In	7,876,765	34,307,748	32,522,158	3,681,761		
Nonbudgeted Revenues & Transfers-In	1,443	595,786	42,887,368			
Prior Year Revenues & Transfers-In Adjustments	(142,402)	(7,508)	108,597	76		(4,400)
Cash Transfers In (Out)	(9,037,714)	8,531,831		(35,719)		12,921,257
Direct Entries to Fund Balance	(171)	(7,327,280)	2,931,254	(204)		7,041,467
Additions to Property Held in Trust					598,659,746	
Total Additions	(1,302,079)	36,100,577	78,449,377	3,645,914	598,659,746	19,958,324
REDUCTIONS						
Budgeted Expenditures & Transfers-Out	1,737,086	44,943,418	28,745,305	3,919,324		500,000
Nonbudgeted Expenditures & Transfers-Out		(263,470)	41,367,635	7,277		
Prior Year Expenditures & Transfers-Out Adjustments	(15,132)	(120,493)	88,046	(63,101)		(495)
Reductions to Property Held in Trust					503,571,946	
Total Reductions	1,721,954	44,559,455	70,200,986	3,863,500	503,571,946	499,505
FUND BALANCE: June 30, 1996	\$ 1,567,744	\$ 14,562,860	\$ 88,579,436	\$ 493,388	\$ 0	\$ 104,287,221
PROPERTY HELD IN TRUST: June 30, 1996					\$ 299,879,260	

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-17.

DEPARTMENT OF COMMERCE
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	General Fund	Special Revenue Fund	Enterprise Fund	Internal Service Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS					
Licenses and Permits	\$ 1,535	\$ 4,070,562	\$ 2,250		\$ 4,074,347
Taxes		21,970			21,970
Charges for Services	10,122	3,869,755	895,403	\$ 3,785,130	8,560,410
Investment Earnings		2,172,835	43,022,634		45,195,469
Fines and Forfeits	23,160	950			24,110
Federal Indirect Cost Recoveries				73,200	73,200
Sale of Documents, Merchandise and Property	703	24,467	28,197,420	450	28,223,040
Grants, Contracts, Donations and Abandonments		536,376			536,376
Other Financing Sources	6,667,439	3,360,846			10,028,285
Federal		24,843,718			24,843,718
Total Revenues & Transfers-In	6,702,959	38,901,479	72,117,707	3,858,780	121,580,925
Less: Nonbudgeted Revenues & Transfers-In	58,840	1,261,724	43,108,495		44,429,059
Prior Year Revenues & Transfers-In Adjustments	55,827	(12,673)	(42,812)		342
Actual Budgeted Revenues & Transfers-In	6,588,292	37,652,428	29,052,024	3,858,780	77,151,524
Estimated Revenues & Transfers-In	8,029,000	58,229,445	34,715,039	3,768,248	104,741,732
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (1,440,708)	\$ (20,577,017)	\$ (5,663,015)	\$ 90,532	\$ (27,590,208)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS					
Licenses and Permits	\$ (465)	\$ (215,739)	\$ (250)		\$ (216,454)
Taxes		470			470
Charges for Services	(2,878)	(63,366)	(238,848)	\$ 98,382	(206,710)
Investment Earnings		1,066,366	(90,027)		976,339
Fines and Forfeits	9,160	(13,600)			(4,440)
Federal Indirect Cost Recoveries				(7,800)	(7,800)
Sale of Documents, Merchandise and Property		(33,226)	(5,333,890)	(50)	(5,367,166)
Grants, Contracts, Donations and Abandonments		(112,871)			(112,871)
Other Financing Sources	(1,446,525)	(1,163,410)			(2,609,935)
Federal		(20,041,641)			(20,041,641)
Budgeted Revenues & Transfers-In Over (under) Estimated	\$ (1,440,708)	\$ (20,577,017)	\$ (5,663,015)	\$ 90,532	\$ (27,590,208)

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-17.

DEPARTMENT OF COMMERCE
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	General Fund	Special Revenue Fund	Enterprise Fund	Internal Service Fund	Nonexpendable Trust Fund	Total
TOTAL REVENUES & TRANSFERS-IN BY CLASS						
Licenses and Permits	\$ (153,848)	\$ 3,982,479	\$ 2,000			\$ 3,830,631
Taxes		23,947				23,947
Charges for Services	10,514	3,696,540	913,789	\$ 3,583,932		8,204,775
Investment Earnings		946,303	42,836,670		\$ (4,400)	43,778,573
Fines and Forfeits	5,300	1,388				6,688
Federal Indirect Cost Recoveries				72,805		72,805
Sale of Documents, Merchandise and Property	1,405	24,085	31,765,137	600		31,791,227
Miscellaneous			527			527
Grants, Contracts, Donations and Abandonments		961,377		24,500		985,877
Other Financing Sources	7,872,435	759,405				8,631,840
Federal		24,500,502				24,500,502
Total Revenues & Transfers-In	7,735,806	34,896,026	75,518,123	3,681,837	(4,400)	121,827,392
Less: Nonbudgeted Revenues & Transfers-In	1,443	595,786	42,887,368			43,484,597
Prior Year Revenues & Transfers-In Adjustments	(142,402)	(7,508)	108,597	76	(4,400)	(45,637)
Actual Budgeted Revenues & Transfers-In	7,876,765	34,307,748	32,522,158	3,681,761	0	78,388,432
Estimated Revenues & Transfers-In	8,023,000	67,186,059	31,543,045	3,878,674	4,300,000	114,930,778
Budgeted Revenues & Transfers-In Over (Under) Estimated	\$ (146,235)	\$ (32,878,311)	\$ 979,113	\$ (196,913)	\$ (4,300,000)	\$ (36,542,346)
BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS						
Licenses and Permits	\$ 130	\$ (275,430)	\$ (1,000)			\$ (276,300)
Taxes		(3,553)				(3,553)
Charges for Services	(1,486)	(81,694)	(310,182)	\$ (184,438)		(577,800)
Investment Earnings		(21,657)	26,881		\$ (4,300,000)	(4,294,776)
Fines and Forfeits	(3,700)	(10,213)				(13,913)
Federal Indirect Cost Recoveries				(7,195)		(7,195)
Sale of Documents, Merchandise and Property		(26,205)	1,263,414	220		1,237,429
Miscellaneous						0
Grants, Contracts, Donations and Abandonments		(46,956)		(5,500)		(52,456)
Other Financing Sources	(141,179)	(4,009,773)				(4,150,952)
Federal		(28,402,830)				(28,402,830)
Budgeted Revenues & Transfers-In Over (under) Estimated	\$ (146,235)	\$ (32,878,311)	\$ 979,113	\$ (196,913)	\$ (4,300,000)	\$ (36,542,346)

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-17.

DEPARTMENT OF COMMERCE
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 1997

	Weights& Measures Bureau	Banking & Financial Division	POL Bureau	Economic Development Division	Montana Promotion Division	Community Development Bureau	Local Gov't Services Bureau	Local Govt. Assistance Admin	Building Codes Bureau	Health Facilities Authority	Mt Science & Tech Alliance	Housing Division	Board Of Investments	Montana State Lottery	Board Of Horse Racing	Consumer Affairs	Director Management Services	Total
PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT																		
Personal Services																		
Salaries	\$ 263,015	\$ 684,839	\$ 1,285,484	\$ 748,141	\$ 658,126	\$ 368,623	\$ 318,767	\$ 91,611	\$ 1,184,757	\$ 49,269	\$ 119,817	\$ 726,314	\$ 1,054,406	\$ 911,540	\$ 86,599	\$ 73,308	\$ 684,708	\$ 9,289,322
Other Compensation		1,000	87,950		125	3,100				3,050	1,600	9,450	8,700	18,612	1,000			132,587
Employee Benefits	72,215	162,069	342,686	196,837	161,456	91,351	78,039	19,388	317,389	13,285	26,514	188,647	228,979	225,303	29,162	17,412	150,211	2,320,943
Personal Services-Other			8,002				526	4,449		4,511		4,448	(4,989)	(1,889)			22,537	37,596
Total	<u>335,230</u>	<u>827,908</u>	<u>1,724,122</u>	<u>944,978</u>	<u>819,707</u>	<u>463,074</u>	<u>397,332</u>	<u>115,448</u>	<u>1,502,146</u>	<u>70,115</u>	<u>147,931</u>	<u>928,859</u>	<u>1,287,097</u>	<u>1,151,568</u>	<u>118,761</u>	<u>90,720</u>	<u>837,454</u>	<u>11,780,448</u>
Operating Expenses																		
Other Services	13,971	15,882	898,710	723,831	2,130,290	89,396	14,234	1,778	54,766	50,330	26,757	549,858	130,274	4,512,241	48,270	2,278	(10,763)	9,250,103
Supplies & Materials	32,522	33,895	58,564	47,450	147,231	18,410	7,882	20	70,710	(79)	2,622	35,060	31,586	180,213	3,282	378	19,718	687,484
Communications	9,820	16,089	206,729	73,091	2,675,555	22,501	15,903	1,869	85,360	3,428	5,122	68,212	40,242	787,413	6,035	2,928	18,045	4,038,342
Travel	29,983	113,859	266,845	104,557	132,937	37,506	33,352		90,370	22,637	13,681	65,189	35,054	24,613	16,567	1,086	13,537	1,001,753
Rent	14,055	28,648	98,839	50,081	51,354	24,923	17,657		26,475	158	8,289	73,368	110,087	79,651	4,325	3,002	23,677	814,589
Utilities	1,778			271								53		14,587				16,689
Repair & Maintenance	20,553	3,499	1,982	10,487	13,420	6,736	3,483	136	50,978	28	2,476	47,598	13,454	44,239	1,417	230	4,672	225,388
Other Expenses	30,933	94,920	1,397,796	140,259	231,652	157,101	77,657	9,182	132,379	16,180	21,760	276,041	408,401	14,437,955	17,151	8,291	24,755	17,482,413
Goods Purchased For Resale			1,984						2,837					725,285				730,106
Total	<u>153,815</u>	<u>306,792</u>	<u>2,929,449</u>	<u>1,150,027</u>	<u>5,382,439</u>	<u>356,573</u>	<u>170,168</u>	<u>12,985</u>	<u>513,875</u>	<u>92,682</u>	<u>80,707</u>	<u>1,115,379</u>	<u>769,098</u>	<u>20,806,197</u>	<u>95,047</u>	<u>18,173</u>	<u>91,641</u>	<u>34,044,847</u>
Equipment & Intangible Assets																		
Equipment	69,808	19,821	45,268	19,357	73,418	28,428	11,388			273		14,500	32,749	(5,974)			(14,013)	295,023
Intangible Assets				540	980												8,099	7,619
Total	<u>69,808</u>	<u>19,821</u>	<u>45,268</u>	<u>19,897</u>	<u>74,398</u>	<u>28,428</u>	<u>11,388</u>			<u>273</u>		<u>14,500</u>	<u>32,749</u>	<u>(5,974)</u>			<u>(7,914)</u>	<u>302,842</u>
Local Assistance																		
From State Sources					2,350,553													2,350,553
Total					<u>2,350,553</u>													<u>2,350,553</u>
Grants																		
From State Sources				10,000	445,000	4,703,044												5,158,044
From Federal Sources				1,921,991		6,371,813						14,679,822						22,973,626
Total				<u>1,931,991</u>	<u>445,000</u>	<u>11,074,857</u>						<u>14,679,822</u>						<u>28,131,670</u>
Benefits & Claims																		
To Individuals			25,700						2,500									28,200
Total			<u>25,700</u>						<u>2,500</u>									<u>28,200</u>
Transfers																		
Accounting Entity Transfers				1,836,590	267,132	113,964												2,217,686
Mandatory Transfers														6,553,475				6,553,475
Total				<u>1,836,590</u>	<u>267,132</u>	<u>113,964</u>								<u>6,553,475</u>				<u>8,771,161</u>
Debt Service																		
Bonds												34,201,810	2,235,658					36,437,468
Loans				120		658,582					3,544							662,246
Installment Purchases					10,523													10,523
Total				<u>120</u>	<u>10,523</u>	<u>658,582</u>					<u>3,544</u>	<u>34,201,810</u>	<u>2,235,658</u>					<u>37,110,237</u>
Total Program Expenditures & Transfers-Out	\$ <u>558,653</u>	\$ <u>1,154,521</u>	\$ <u>4,724,539</u>	\$ <u>5,883,603</u>	\$ <u>9,349,752</u>	\$ <u>12,695,478</u>	\$ <u>578,888</u>	\$ <u>128,433</u>	\$ <u>2,018,521</u>	\$ <u>163,070</u>	\$ <u>232,182</u>	\$ <u>50,940,370</u>	\$ <u>4,324,602</u>	\$ <u>28,505,264</u>	\$ <u>211,808</u>	\$ <u>108,893</u>	\$ <u>921,181</u>	\$ <u>122,499,758</u>
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND																		
General Fund				\$ 919,505		\$ 295,212	\$ 358,062									\$ 108,893		\$ 1,681,672
Special Revenue Fund	\$ 558,653	\$ 1,154,521	\$ 3,440,312	3,127,508	\$ 9,349,752	12,400,266			\$ 2,018,521		\$ 232,182	\$ 15,455,307			\$ 211,808		\$ (16,936)	47,931,894
Enterprise Fund							220,826			\$ 163,070		35,485,063	\$ 2,653,442	\$ 28,505,264				67,027,665
Internal Service Fund			1,284,227					\$ 128,433					1,671,160			938,117		4,021,937
Nonexpendable Trust Fund				1,836,590														1,836,590
Total Program Expenditures & Transfers-Out	<u>558,653</u>	<u>1,154,521</u>	<u>4,724,539</u>	<u>5,883,603</u>	<u>9,349,752</u>	<u>12,695,478</u>	<u>578,888</u>	<u>128,433</u>	<u>2,018,521</u>	<u>163,070</u>	<u>232,182</u>	<u>50,940,370</u>	<u>4,324,602</u>	<u>28,505,264</u>	<u>211,808</u>	<u>108,893</u>	<u>921,181</u>	<u>122,499,758</u>
Less Nonbudgeted Expenditures & Transfers-Out			23,346			58,137	11,145	4,449		4,699		34,315,244	257,585	6,406,218			(8,257)	41,072,566
Prior Year Expenditures & Transfers-Out Adjustment	<u>2,028</u>	<u>1,387</u>	<u>(48,415)</u>	<u>(3,761)</u>	<u>(155,801)</u>	<u>(26,008)</u>	<u>1,549</u>		<u>7,249</u>	<u>2,497</u>	<u>(458)</u>	<u>(5,265)</u>	<u>(16,159)</u>	<u>(71,863)</u>	<u>9,233</u>	<u>662</u>	<u>(21,634)</u>	<u>(324,759)</u>
Actual Budgeted Expenditures & Transfers-Out	<u>556,625</u>	<u>1,153,134</u>	<u>4,749,808</u>	<u>5,887,364</u>	<u>9,505,553</u>	<u>12,663,349</u>	<u>566,194</u>	<u>123,984</u>	<u>2,011,272</u>	<u>155,874</u>	<u>232,640</u>	<u>16,630,391</u>	<u>4,083,176</u>	<u>22,170,909</u>	<u>202,575</u>	<u>108,231</u>	<u>951,072</u>	<u>81,751,951</u>
Budget Authority	<u>596,647</u>	<u>1,242,456</u>	<u>5,239,856</u>	<u>8,019,874</u>	<u>9,689,047</u>	<u>13,118,051</u>	<u>652,057</u>	<u>136,633</u>	<u>2,046,812</u>	<u>160,832</u>	<u>366,535</u>	<u>23,462,722</u>	<u>4,972,203</u>	<u>27,291,852</u>	<u>274,378</u>	<u>108,792</u>	<u>994,518</u>	<u>98,372,865</u>
Unspent Budget Authority	\$ <u>40,022</u>	\$ <u>89,322</u>	\$ <u>490,248</u>	\$ <u>2,132,510</u>	\$ <u>183,494</u>	\$ <u>454,702</u>	\$ <u>85,363</u>	\$ <u>12,649</u>	\$ <u>35,340</u>	\$ <u>4,958</u>	\$ <u>133,895</u>	\$ <u>6,832,331</u>	\$ <u>889,027</u>	\$ <u>5,120,743</u>	\$ <u>71,803</u>	\$ <u>561</u>	\$ <u>43,446</u>	\$ <u>16,620,914</u>
UNSPENT BUDGET AUTHORITY BY FUND																		
General Fund				\$ 10,414		\$ 414	\$ 356									\$ 561		\$ 11,745
Special Revenue Fund	\$ 40,022	\$ 89,322	\$ 472,690	1,208,686	\$ 183,494	454,288			\$ 35,340		\$ 133,895	\$ 6,664,222			\$ 71,803		\$ 6,796	9,360,558
Enterprise Fund							85,507			\$ 4,958		168,109	\$ 824,459	\$ 5,120,743			7,200	6,210,976
Internal Service Fund			17,558					\$ 12,649					64,568				29,450	124,225
Nonexpendable Trust Fund				913,410														913,410
Unspent Budget Authority	\$ <u>40,022</u>	\$ <u>89,322</u>	\$ <u>490,248</u>	\$ <u>2,132,510</u>	\$ <u>183,494</u>	\$ <u>454,702</u>	\$ <u>85,363</u>	\$ <u>12,649</u>	\$ <u>35,340</u>	\$ <u>4,958</u>	\$ <u>133,895</u>	\$ <u>6,832,331</u>	\$ <u>889,027</u>	\$ <u>5,120,743</u>	\$ <u>71,803</u>	\$ <u>561</u>	\$ <u>43,446</u>	\$ <u>16,620,914</u>

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-17.

DEPARTMENT OF COMMERCE
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	Weights & Measures Bureau	Banking & Financial Division	POL Bureau	Economic Development Division	Montana Promotion Division	Community Development Bureau	Local Gov't Services Bureau	Local Gov't Assistance Admin	Building Codes Bureau	Indian Affairs Coordinator	Health Facilities Authority	Mt Science & Tech Alliance	Housing Division	Board Of Investments	Montana State Lottery	Board Of Horse Racing	Consumer Affairs	Director Management Services	Total
PROGRAM EXPENDITURES & TRANSFERS-OUT BY OBJECT																			
Personal Services																			
Salaries	\$ 240,788	\$ 622,410	\$ 1,143,801	\$ 888,622	\$ 581,065	\$ 343,517	\$ 304,521	\$ 88,601	\$ 1,110,022		\$ 42,483	\$ 146,213	\$ 669,821	\$ 1,023,060	\$ 930,068	\$ 63,410	\$ 70,678	\$ 596,230	\$ 6,896,613
Hourly Wages			(75)																(75)
Other Compensation		1,450	82,475		250	3,650			150		2,450	1,600	10,600	11,050	7,079	1,750			122,504
Employee Benefits	87,878	153,207	303,075	168,847	144,344	83,491	77,225	16,745	302,080		8,864	32,703	172,249	224,155	230,480	16,882	16,827	131,759	21,538,142
Personal Services-Other			6,799				(51,158)	(1,027)			985		8,408	6,402	2,380			2,574	(24,636)
Total	308,768	777,067	1,536,075	889,669	725,659	430,658	330,588	108,318	1,412,252		54,882	180,516	861,179	1,264,867	1,170,008	101,642	67,706	730,583	10,946,416
Operating Expenses																			
Other Services	17,788	48,827	875,180	863,188	1,842,395	218,042	15,691	1,123	54,822		45,870	40,107	615,848	139,275	5,072,112	72,824	2,893	215,290	10,239,436
Supplies & Materials	30,432	19,846	60,735	51,980	101,243	18,801	10,132		78,660		3,640	6,888	53,102	20,596	158,830	4,016	1,296	26,422	645,699
Communications	10,642	11,858	203,545	53,581	2,956,082	31,337	15,936	1,664	84,244		3,724	7,284	52,736	33,163	1,122,213	4,529	1,990	16,702	4,611,742
Travel	29,466	128,736	265,181	117,738	168,841	31,625	24,781		82,405		22,181	16,097	68,670	42,345	29,056	18,980	873	14,174	1,071,039
Rent	13,427	23,248	108,808	45,874	43,270	23,208	17,081		26,536		58	15,680	64,034	82,453		4,173	2,620	26,303	588,141
Utilities	1,876			686											12,880				15,352
Repair & Maintenance	23,308	5,505	15,309	11,639	16,172	6,914	2,778	138	36,323			1,907	58,930	10,963	60,086		126	11,164	265,311
Other Expenses	27,421	87,303	1,388,121	119,723	221,231	149,861	74,740	8,356	118,330		10,582	107,953	172,301	270,189	16,374,782	19,535	8,640	39,907	18,187,175
Goods Purchased For Resale			1,806				103		5,686						120,250				127,845
Total	154,361	325,423	2,818,483	1,264,878	5,451,334	477,789	161,224	11,279	488,006		86,153	186,036	1,085,621	608,884	23,028,870	125,816	18,440	351,962	36,761,740
Equipment & Intangible Assets																			
Equipment	93,663	40,180	30,741	31,719	56,297	5,645	175		1,347	\$ (538)	2,000		2,357	(8,706)	(42,227)			158,901	372,554
Intangible Assets				15,897										250				31,330	47,577
Total	93,663	40,180	30,741	47,716	56,297	5,645	175		1,347	(538)	2,000			(8,706)	(42,227)			191,231	420,131
Local Assistance																			
From State Sources					2,422,854														2,422,854
From Other Income Sources				333,333															333,333
Total				333,333	2,422,854														2,756,187
Grants																			
From State Sources					495,000	1,585,948						(83,186)							1,997,752
From Federal Sources					2,028,439	4,617,178							16,230,258						22,673,876
From Other Sources					(314,915)														(314,915)
Total					1,711,524	495,000	6,203,127					(83,186)	16,230,258						24,556,713
Transfers																			
Accounting Entity Transfers				500,000		11,108								(495)					510,613
Mandatory Transfers															7,858,821				7,858,821
Total				500,000		11,108								(495)	7,858,821				8,369,434
Debt Service																			
Bonds																			
Loans						820,122						2,057	33,554,736	2,839,823					36,394,659
Installment Purchases					9,276									6,663					15,939
Total					9,276	820,122						2,057	33,554,736	2,846,586					37,032,777
Total Program Expenditures & Transfers-Out	\$ 556,792	\$ 1,142,870	\$ 4,486,279	\$ 4,727,121	\$ 9,160,420	\$ 7,748,449	\$ 491,987	\$ 117,598	\$ 1,911,605	\$ (538)	\$ 143,035	\$ 295,413	\$ 51,734,401	\$ 4,711,036	\$ 32,013,472	\$ 227,758	\$ 104,146	\$ 1,273,756	\$ 120,845,400
PROGRAM EXPENDITURES & TRANSFERS-OUT BY FUND																			
General Fund				\$ 927,875		\$ 293,600	\$ 329,148			\$ (538)							\$ 104,146	\$ 67,723	\$ 1,721,954
Special Revenue Fund	\$ 556,792	\$ 1,142,870	\$ 3,268,246	3,289,246	\$ 9,160,420	7,454,849			\$ 1,911,605			\$ 295,413	\$ 17,060,023			\$ 227,758		182,433	44,559,455
Enterprise Fund							182,638				\$ 143,035		34,674,378	\$ 3,161,686	\$ 32,013,472		45,576		70,200,986
Internal Service Fund			1,218,033					\$ 117,598						1,548,845				978,024	3,663,500
Nonexpendable Trust Fund				500,000										(495)					499,505
Total Program Expenditures & Transfers-Out	556,792	1,142,870	4,486,279	4,727,121	9,160,420	7,748,449	491,987	117,598	1,911,605	(538)	143,035	295,413	51,734,401	4,711,036	32,013,472	227,758	104,146	1,273,756	120,845,400
Less: Nonbudgeted Expenditures & Transfers-Out			20,807	(346,667)															
Prior Year Expenditures & Transfers-Out Adjustments	(2,573)	(1,359)	(14,723)	2,005	(36,155)	(2,878)	1,745	(1,027)			(1,308)	83,196	33,498,347	(113,590)	6,024,645			(8,834)	41,111,440
Actual Budgeted Expenditures & Transfers-Out	559,365	1,144,029	4,480,195	5,071,783	9,196,575	7,751,127	534,371	118,825	1,907,874	0	140,783	296,530	18,250,918	4,781,031	23,991,583	227,655	104,148	1,308,458	79,845,136
Budget Authority	593,245	1,223,232	5,074,660	8,812,504	9,480,997	14,480,530	636,308	133,316	1,986,155		172,619	358,671	25,048,922	4,879,901	26,884,089	267,141	106,417	1,397,677	103,846,584
Unspent Budget Authority	\$ 33,880	\$ 79,203	\$ 594,465	\$ 3,740,721	\$ 284,422	\$ 6,739,403	\$ 101,937	\$ 14,691	\$ 78,181	\$ 0	\$ 31,856	\$ 62,141	\$ 6,798,006	\$ 218,870	\$ 4,892,496	\$ 39,486	\$ 2,271	\$ 89,419	\$ 23,801,448
UNSPENT BUDGET AUTHORITY BY FUND																			
General Fund				\$ 20,821		\$ 96	\$ 21,826									\$ 800	\$ 2,271	\$ 1,020	\$ 46,634
Special Revenue Fund	\$ 33,880	\$ 79,203	\$ 571,756	969,900	\$ 284,422	6,739,307			\$ 78,181			\$ 62,141	\$ 6,857,478			38,886		25,523	15,540,477
Enterprise Fund							80,311				\$ 31,856		140,528	\$ 62,201	\$ 4,892,496			357	5,227,749
Internal Service Fund			22,708					\$ 14,691										62,519	236,588
Nonexpendable Trust Fund				2,750,000										136,989					2,750,000
Unspent Budget Authority	\$ 33,880	\$ 79,203	\$ 594,465	\$ 3,740,721	\$ 284,422	\$ 6,739,403	\$ 101,937	\$ 14,691	\$ 78,181	\$ 0	\$ 31,856	\$ 62,141	\$ 6,798,006	\$ 218,870	\$ 4,892,496	\$ 39,486	\$ 2,271	\$ 89,419	\$ 23,801,448

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-17.

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 1997

1. Summary of Significant Accounting Policies

Basis of Accounting

The department uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental, Expendable Trust, and Agency Funds. In applying the modified accrual basis, the department records:

- Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.
- Expenditures for valid obligations when the department incurs the related liability and it is measurable.

The department uses accrual basis accounting for Proprietary and Nonexpendable Trust Funds. Under the accrual basis, as defined by state accounting policy, the department records revenues in the accounting period earned when measurable and records expenses in the period incurred, when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the department receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the Statewide Budgeting and Accounting System without adjustment, except for a reclassification of horse racing activity as property held in trust in the Agency Fund.

Accounts are organized in funds according to state law. The department uses the following funds:

Notes to the Financial Schedules

Governmental Funds

General Fund - to account for all financial resources except those required to be accounted for in another fund. General Fund accounts include some or all of the department's Economic Development Division, Community Development Bureau, Consumer Affairs and Local Government Systems Program.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Department Special Revenue Funds include operations of programs funded with assessments paid by state-regulated financial institutions, inspections and professional and occupational license fees, and accommodations tax funds. The department's Housing Assistance, Community Development Block Grants, and Economic Development Programs are accounted for as Federal Special Revenue Funds.

Proprietary Funds

Internal Service Fund - to account for providing goods or services to other agencies or departments on a cost-reimbursement basis. Department Internal Service Funds include operations of the Director's Office, the Management Services Division, the Local Government Services Assistance Administration, the Board of Investments, and the Professional and Occupational Licensing bureau administration.

Enterprise Fund - to account for operations (a) financed and operated in a manner similar to private business enterprises, where the legislature intends that the department finance or recover costs primarily through user charges; or (b) where the legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate. Department Enterprise Funds include the Board of Housing, the Health Facility Authority, the Board of Investment Industrial Revenue Bonds, the Montana State Lottery, and the Local Government Services Audit Review Program.

Notes to the Financial Schedules

Fiduciary Funds

Trust and Agency Funds - to account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. Department fiduciary funds include Agency Funds and Nonexpendable Trust Funds.

Nonexpendable Trust Fund - includes a portion of the Permanent Coal Trust Fund (coal tax moneys).

Agency Fund - includes a consumer affairs account, receipts from horse racing exotic wagering and the investment activity administered by the Board of Investments. Our financial schedules include only the activity related to consumer affairs, horse racing and the short-term investments of local governments.

2. General Fund Balance

Each agency does not have a separate General Fund since its only authority is to pay obligations from the statewide General Fund within its appropriation limits. The department's total assets placed in the fund exceed outstanding liabilities, resulting in positive ending General Fund balances for each of the two fiscal years ended June 30, 1996 and June 30, 1997.

3. Direct Entries to Fund Balance

Montana Science and Technology Alliance loans worth \$7,041,466 were moved from the Nonexpendable Trust Fund to a Special Revenue Fund in fiscal year 1994-95 to establish the revolving loan program. After further consideration, department personnel determined these loans should have remained in the Nonexpendable Trust Fund. The correcting entry appears on the Schedule of Changes in Fund Balances and Property Held in Trust for the fiscal year ending June 30, 1996, as a direct entry to fund balance.

4. Cash Transfers

General Fund - The cash transfers-out shown on the Schedule of Changes in Fund Balances are the lottery division's statutory operating income transfers to the General Fund.

Special Revenue Fund - A percentage of the accommodations tax collected by the Department of Revenue is statutorily appropriated to the department for tourism promotion and promotion of the state as a location for motion pictures and television commercials. The department recorded a Cash Transfer-In of \$8,008,098 and

Notes to the Financial Schedules

\$8,264,568 related to this activity in fiscal years 1995-96 and 1996-97, respectively. The Treasure State Endowment Program receives interest earnings from the Treasure State Endowment Fund which is a subfund of the Permanent Coal Trust. The department recorded a Cash Transfer-In of \$1,200,465 and \$2,630,824 in fiscal years 1995-96 and 1996-97, respectively.

Nonexpendable Trust Fund - The Department of Revenue (DOR) shares the Permanent Trust Fund account with the Board of Investments (BOI). The DOR is responsible for administering this account, while BOI is responsible for managing the account's investment activity. The Nonexpendable Trust Fund Cash Transfer-In represents the coal tax revenue deposits made to the Permanent Trust Fund by the DOR during fiscal years 1995-96 and 1996-97.

**5. Revenue Estimate for the
Nonexpendable Trust Fund**

Historically, investment earnings for the permanent coal loan and bond anticipation notes have been recorded on the department's accounting records. Due to changes to section 17-5-704, MCA, effective July 1, 1995, the investment earnings are recorded at the Department of Revenue. Therefore, only prior year investment earnings of (\$4,400) was recorded in the Nonexpendable Trust Fund for fiscal year 1995-96 and no estimate was established for fiscal year 1996-97 on the Schedule of Total Revenues & Transfers-In.

Department Response



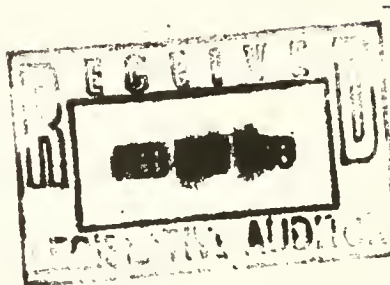
MONTANA DEPARTMENT OF COMMERCE

Director's Office
1424 9th Avenue PO Box 200501
Helena, MT 59620-0501

Phone: (406) 444-3494
FAX: (406) 444-2903
TDD: (406) 444-2978

February 11, 1998

Mr. Scott S. Seacat
Legislative Auditor
State Capitol
Helena MT 59620



Dear Mr. Seacat:

Enclosed is our response to the financial compliance audit of the Department of Commerce for the fiscal years 1996-1997.

We very much appreciate the courtesy and professionalism exhibited by the Legislative Auditors staff in conducting our recent audit.

Considering the size and diversity of the Department, we are proud and very pleased at the small number of recommendations, and we will strive to implement them to the best of our ability.

Thank you for the opportunity to respond.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter S. Blouke".

Peter S. Blouke, Ph.D.
Director

DEPARTMENT OF COMMERCE
RESPONSES TO AUDIT RECOMMENDATIONS

RECOMMENDATION #1

We recommend the department work with the Professional and Occupational Licensing boards to ensure:

A. Fees are commensurate with costs.

RESPONSE

The department concurs. We will work with the boards to set fees related to program costs, and to reduce excessive fund balances.

B. Cash balances do not exceed limits set forth by law.

RESPONSE

The department concurs. We will work with the boards to ensure compliance with the law by July 1, 1998.

C. Adequate documentation is kept to support the fees as required by state law.

RESPONSE

The department concurs. We will ask each of the identified boards to provide the Division with current documentation and justification for their fee structure.

RECOMMENDATION #2

We recommend the department comply with its responsibilities under the Employee Ownership Opportunity Act

RESPONSE

The department concurs. Legislation to modify or repeal the statute will be submitted. The department has taken an active role in helping achieve, as opposed to promoting, employee ownership of businesses where the employees have already decided they want to buy the business. The department will continue to provide support for employee ownership in those situations which present the right circumstances.

RECOMMENDATION #3

We recommend the department comply with state bank examination and consumer loan office audit requirements as required by state law.

RESPONSE

The department concurs.

A consumer loan company licensee examination program will be started during calendar year 1998. Initially one individual will be hired to develop and begin implementation of the program. Because of explosive growth in the number of licensees, the department will approach the 1999 Legislature for additional staffing and funding. It appears, based on current licensee numbers, that 3 FTE will be needed to perform the required examinations.

The department believes that the length of time needed to turn around examination reports is a result of its inability to retain enough experienced, capable bank examiners. Previous efforts to address examiner concerns about travel, a limited career path, and below-market salary potential have been unsuccessful. Efforts in these areas continue. Training opportunities will continue at current levels, although individual training periods may be lengthened, to give staff members additional time to develop expertise in new tasks and procedures. Resource materials will be reviewed and supplemented, if necessary, to provide additional guidance to less-experienced staff members. If the time needed to prepare examination reports completely and accurately cannot be reduced, an additional review examiner will be hired to speed the process.

RECOMMENDATION #4

We recommend the department comply with state laws related to meetings of the Board of Sanitarians and Board of Pharmacy educational programs.

RESPONSE

The department concurs. We will encourage the Board of Sanitarians to pursue legislation to meet at least once a year. We are currently hiring a compliance officer for the Board of Pharmacy to provide for attention to industry educational issues as well as to monitor the utilization programs of the pharmacies and monitor pharmacy interaction with the public.

RECOMMENDATION #5

We recommend the department properly record horse racing exotic wagering activity in the Agency.

RESPONSE

The department concurs. The method for recording exotic wagering activity has been corrected.

